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ATTACHMENT 4.19-A

Inpatient Hospital

Page 1

**Methods and Standards for Determining Payment Rates for Inpatient
Hospital Services Provided by Non-State Owned Facilities**

TABLE OF CONTENTS

- 1.0 Purpose and Scope
- 2.0 Definitions
- 3.0 Establishment of Base Years
- 4.0 Determination of Relative Values of the Diagnostic Categories
- 5.0 Determination of Adjusted Base Year Operating Cost Per Admission and Per Day Outlier
- 6.0 Determination of Adjusted Base Year Operating Cost Per Day
- 7.0 Determination of Hospital Cost Index (HCI)
- 8.0 Determination of Property Cost Per Admission
- 9.0 Determination of Property Cost Per Day
- 10.0 Determination of Rate Per Admission and Per Day
- 11.0 Recapture of Depreciation
- 12.0 Payment Procedures
- 13.0 Disproportionate Population Adjustment
- 14.0 Appeals
- 15.0 Other Payment Factors

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ATTACHMENT 4.19-A

Inpatient Hospital

Page 2

1.0 PURPOSE AND SCOPE

The Minnesota inpatient hospital payment system under the Medical Assistance program is authorized by state law. Payment rates are prospectively established on a per admission or per day basis under a diagnostic related group (DRG) system that condenses Medicare categories into Minnesota diagnostic categories. Rates are differentiated by eligibility (Medical Assistance, Minnesota Family Investment Program or MFIP, Medical Assistance non-MFIP) and specialty (Rehabilitation Distinct Part, Neonatal Transfer). The system provides for the payment of operating and property costs with additional payments including a disproportionate population adjustment and an appeals mechanism.

The rate setting methodology is based on the cost finding and allowable cost principles of the Medicare program. The rates are established for each calendar year using hospital specific Medical Assistance claims data and cost that is trended for inflation to the current year from a base year. Rates are rebased to more current data every two years.

The methodology described in this Attachment is effective for admissions occurring on or after October 25, 1993.

To be eligible for payment, inpatient hospital services must be medically necessary.

Minnesota has in place a public process which complies with the requirements of Section 1902(a)(13)(A) of the Social Security Act.

2.0 DEFINITIONS

Accommodation service. "Accommodation service" means those inpatient hospital services included by a hospital in a daily room charge. They are composed of general routine services and special care units. These routine and special care units include the nursery, coronary, intensive, neonatal, rehabilitation, psychiatric, and chemical dependency units.

Adjusted base year operating cost. "Adjusted base year operating cost" means a hospital's allowable base year operating cost per admission or per day, adjusted by the hospital cost index.

Admission. "Admission" means the time of birth at a hospital or the act that allows a recipient to officially enter a hospital to receive inpatient hospital services under the supervision of a physician who is a member of the medical staff.

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93-33/92-44/92-31/91-17/90-25)

ATTACHMENT 4.19-A

Inpatient Hospital

Page 3

Allowable base year operating cost. "Allowable base year operating cost" means a hospital's base year inpatient hospital cost per admission or per day that is adjusted for case mix and excludes property costs.

Ancillary service. "Ancillary service" means inpatient hospital services that include laboratory and blood, radiology, anesthesiology, pharmacy, delivery and labor room, operating and recovery room, emergency room and outpatient clinic, therapy, medical supplies, renal dialysis, psychiatric, and chemical dependency services customarily charged in addition to an accommodation service charge.

Base year. "Base year" means a hospital's fiscal year that is recognized by Medicare, or a hospital's fiscal year specified by the commissioner if a hospital is not required to file information with Medicare, from which cost and statistical data are used to establish rates.

Case mix. "Case mix" means a hospital's admissions distribution of relative values among the diagnostic categories.

Charges. "Charges" means the usual and customary payment requested by the hospital of the general public.

Cost outlier. "Cost outlier" means the adjustment included in the relative value that is applied to the admission and outlier rates so that payment is adjusted for exceptionally high cost stays. The adjustment is applied to all admissions with an above average cost, including patients that have not yet attained the age of one in all hospitals and that have not yet attained the age of six in disproportionate population hospitals.

Cost-to-charge ratio. "Cost-to-charge ratio" means a ratio of a hospital's inpatient hospital costs to its charges for inpatient hospital services.

Day outlier. "Day outlier" means an admission where the length of stay exceeds the mean length of stay for neonate and burn diagnostic categories by one standard deviation, and in the case of all other diagnostic categories by two standard deviations.

Diagnostic categories. "Diagnostic categories" means the diagnostic classifications containing one or more diagnostic related groups (DRGs) used by the Medicare program. The DRG classifications must be assigned according to the base year program and specialty groups with modifications as specified in items A to D E.

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93-33/92-44/92-31/91-17/90-25)

ATTACHMENT 4.19-A

Inpatient Hospital

Page 4

A. Diagnostic categories eligible under the Medical Assistance non-Minnesota family investment program. The following diagnostic categories are for persons eligible under the Medical Assistance non-MFIP except as provided in items B, C or D:

DIAGNOSTIC CATEGORIES	DRG NUMBERS WITHIN DIAGNOSTIC CATEGORIES	INTERNATIONAL CLASSIFICATION OF DISEASES, 9th Ed. CLINICAL MODIFICATIONS
--------------------------	---	---

A. Nervous System Conditions

- | | | |
|---|-------------------|--|
| (1) Treated with Craniotomy, Age >17 | 001, 002 | |
| (2) Treated with Craniotomy, Age 0-17 | 003 | |
| (3) [Reserved for future use] | | |
| (4) [Reserved for future use] | | |
| (5) [Reserved for future use] | | |
| (6) Nervous System Neoplasms | 010, 011 | |
| (7) [Reserved for future use] | | |
| (8) [Reserved for future use] | | |
| (9) [Reserved for future use] | | |
| (10) [Reserved for future use] | | |
| (11) [Reserved for future use] | | |
| (12) [Reserved for future use] | | |
| (13) [Reserved for future use] | | |
| (14) [Reserved for future use] | | |
| (15) [Reserved for future use] | | |
| (16) Treated with Other Surgical
Procedures | 004, 005, 007 | |
| (17) Peripheral, Cranial, and Other
Nerve Procedure without CC | 008 | |
| (18) Other Nervous System Diseases
Treated Without Surgery | 013, 015, 017 | |
| (19) Spinal Disorders/Injuries and
Nervous System Infection | 009, 020 | |
| (20) Specific Cerebral Vascular
and Cranial/Peripheral Nerve
Disorders | 014, 018, 019 | |
| (21) Degenerative and Nonspecific
Cerebral Vascular Disorders
with CC | 012, 016 | |
| (22) Seizure and Headache | 024-026 | |
| (23) Traumatic Stupor with Coma
> 1 Hr, and Coma < 1 Hr, Age
> 17 with CC | 027, 028 | |
| (24) Viral Meningitis, Hypertensive
Encephalopathy, Concussion
Age > 17 with CC, Other Stupor
and Coma | 021-023, 029, 031 | |
| (25) Concussion, Age 0-17 and Age | | |

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93-33/92-44/92-31/91-17/90-25)

ATTACHMENT 4.19-A

Inpatient Hospital

Page 5

	> 17 without CC	032, 033	
(26)	Stupor and Coma < 1 Hr, Age 0-17 and Other Disorders of the Nervous System	030, 034, 035	
B.	Eye Diseases and Disorders	036-048	
C.	Ear, Nose, Throat, and Diseases and Disorders		
(1)	Treated with Tonsillectomy/ Adenoidectomy Only	059, 060	
(2)	Treated with Myringotomy with Tube Insertion, Age 0-17	062	
(3)	Otitis Media and URI	068-070	
(4)	Dental and Oral Disorders	185-187	
(5)	[Reserved for future use]		
(6)	Other Ear, Nose, Throat and Mouth Conditions	049-058, 061, 063-067, 071- 074, 168, 169	Codes in DRG 049 except 20.96-20.98
D.	Respiratory System Conditions		
(1)	Treated with Ventilator Support for < 96 Hours	475	Excludes 96.72
(2)	[Reserved for future use]		
(3)	Treated with Ventilator Support for 96 + Hours	475	Includes 96.72
(4)	Treated with Tracheostomy Except For Face, Mouth, and Neck Diagnoses	483	
(5)	[Reserved for future use]		
(6)	Respiratory Neoplasms	082	
(7)	[Reserved for future use]		
(8)	[Reserved for future use]		
(9)	[Reserved for future use]		
(10)	Treated with Tracheostomy for Face, Mouth, and Neck Diagnoses	482	
(11)	Simple Pneumonia and Pleurisy, Age 0-17 and Age >17 without CC	090, 091	
(12)	Major Chest Procedures and OR Procedures with CC	075, 076	
(13)	Major Respiratory Diseases and Disorders Treated with Surgery	078, 079, 087, 092, 101	
(14)	Other OR Procedures without CC	077	
(15)	Specific Respiratory System Diseases and Other Diseases with CC	080, 081, 083, 085, 088,	

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93-33/92-44/92-31/91-17/90-25)

ATTACHMENT 4.19-A

Inpatient Hospital

Page 6

(16) Respiratory System Diseases without CC and Bronchitis, Age >17	089, 094, 099 084, 086, 093 095-097, 100, 102
 E. Circulatory System Conditions	
(1) Major Cardiac Surgeries	104, 106, 108
(2) Other Cardiac Interventional and Surgical Procedures	105, 107, 110, 115
(3) Percutaneous Cardiac and Other Vascular Procedures	111, 112, 114, 116-120, 479
(4) Reserved for future use]	
(5) [Reserved for future use]	
(6) [Reserved for future use]	
(7) [Reserved for future use]	
(8) [Reserved for future use]	
(9) [Reserved for future use]	
(10) Major Cardiac Disorders Treated without Surgery	122-125, 127, 129, 137, 138, 144
(11) Acute MI, Congenital Heart Disease with CC, and Endocarditis	121, 126, 135
(12) Other Circulatory Conditions	132-134, 136, 139-143, 145
(13) Deep Vein Thrombophlebitis and Peripheral Vascular Disorders	128, 130, 131
(14) Procedures for Major Vascular Diseases and Conditions	113, 478
 F. Digestive System Diseases and Disorders	
(1) Treated with Anal and Stomal Procedures	157-158
(2) Treated with Hernia Procedures	159-163
(3) Treated with Appendectomy with Compl. Prin Diag or CC	164-166
(4) Treated with Appendectomy without Compl. Prin Diag or CC	167
(5) Treated with Other Surgical Procedure	146-156, 170-171
(6) Esophagitis, Gastroent, or Misc Digestive Disorders, Age > 17	182-183
(7) Other Digestive System Condition	172-181, 188-190

STATE: MINNESOTA

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93-33/92-44/92-31/91-17/90-25)

ATTACHMENT 4.19-A

Inpatient Hospital

Page 7

G. Hepatobiliary System Conditions

- | | |
|---|-------------------|
| (1) Treated with Surgical Procedure | 191-201, 493, 494 |
| (2) [Reserved for future use] | |
| (3) Cirrhosis and Alcoholic Hepatitis | 202 |
| (4) Malignancy of Hepatobiliary
System or Pancreas | 203 |
| (5) Disorders of the Pancreas Except
Malignancy | 204 |
| (6) Other Disorders of the Liver | 205, 206 |
| (7) Disorders of the Biliary Tract | 207, 208 |

H. Diseases and Disorders of the Musculoskeletal System and
Connective Tissues

- | | |
|--|---------------|
| (1) Treated with Major Joint and
Limb Reattachment Procedures | 209, 472, 491 |
| (2) Treated with Hip and Femur
Procedures or Amputation | 210-213 |
| (3) [Reserved for future use] | |
| (4) [Reserved for future use] | |
| (5) Treated with Wound Debrid or
Skin Graft Except Hand | 217 |
| (6) Treated with Lower Extrem and
Humer Proc Except Hip, Foot,
Femur | 218-220 |
| (7) [Reserved for future use] | |
| (8) Treated with Upper Extremity
Procedure | 223-224 |
| (9) Treated with Foot Procedure | 225 |
| (10) Treated with Soft Tissue
Procedure | 226-227 |
| (11) [Reserved for future use] | |
| (12) [Reserved for future use] | |
| (13) [Reserved for future use] | |
| (14) [Reserved for future use] | |
| (15) Other Musculoskeletal System and
Connective Tissues Conditions | 235-256 |
| (16) [Reserved for future use] | |
| (17) Spinal Fusion: Combined Anterior/
Posterior and Fusion with CC | 496, 497 |
| (18) Treated with Back and Neck
Procedures | 498, 499 |
| (19) Treated with Knee Procedure | 501-503 |
| (20) Treated with Biopsy or Other
Surgical Procedures | 216, 233, 234 |
| (21) Hand and Wrist Procedures and
Carpal Tunnel Release | 006, 228, 229 |
| (22) Treated with Local Excision and
Removal of Internal Fix Devices | 230, 231 |

G. Hepatobiliary System Conditions
 (1) Treated with Surgical Procedure 191-201, 493, 494
 (2) [Reserved for future use]
 (3) Cirrhosis and Alcoholic Hepatitis 202
 (4) Malignancy of Hepatobiliary
 System or Pancreas
 (5) Disorders of the Pancreas Except
 Malignancy 204
 (6) Other Disorders of the Liver 205, 206
 (7) Disorders of the Biliary Tract 207, 208

H. Diseases and Disorders of the Musculoskeletal System and

Connective Tissues
 (1) Treated with Major Joint and
 Limb Reattachment Procedures 209, 472, 491
 (2) Treated with Hip and Femur
 Procedures or Amputation 210-213
 (3) [Reserved for future use]
 (4) [Reserved for future use]
 (5) Treated with Wound Debrid or
 Skin Graft Except Hand 217
 (6) Treated with Lower Extrem and
 Humur Proc Except Hip, Foot,
 Femur 218-220
 (7) [Reserved for future use]
 (8) Treated with Upper Extremity
 Procedure 223-224
 (9) Treated with Foot Procedure 225
 (10) Treated with Soft Tissue
 Procedure 226-227
 (11) [Reserved for future use]
 (12) [Reserved for future use]
 (13) [Reserved for future use]
 (14) [Reserved for future use]
 (15) Other Musculoskeletal System and
 Connective Tissues Conditions 235-256
 (16) [Reserved for future use]
 (17) Spinal Fusion: Combined Anterior/
 Posterior and Fusion with CC 496, 497
 (18) Treated with Back and Neck
 Procedures 498, 499
 (19) Treated with Knee Procedure 501-503
 (20) Treated with Biopsy or Other
 Surgical Procedures 216, 233, 234
 (21) Hand and Wrist Procedures and
 Carpal Tunnel Release 006, 228, 229
 (22) Treated with Local Excision and
 Removal of Internal Fix Devices 230, 231

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93-33/92-44/92-31/91-17/90-25)

ATTACHMENT 4.19-A

Inpatient Hospital

Page 9

-
- | | | |
|-----|---|------------------|
| (4) | Menstrual and Other Female
Reproductive System Disorders | 369 |
| (5) | Other Female Reproductive System
Conditions | 353-360, 365-367 |

N. Pregnancy Related Conditions

- | | | |
|------|--|---------|
| (1) | [Reserved for future use] | |
| (2) | [Reserved for future use] | |
| (3) | Postpartum and Post Abortion
Conditions Treated without
Surgical Procedure | 376 |
| (4) | Postpartum and Post Abortion
Conditions Treated with Surgical
Procedure | 377 |
| (5) | Ectopic Pregnancy | 378 |
| (6) | Threatened Abortion | 379 |
| (7) | Abortion without D&C | 380 |
| (8) | Abortion with D&C, Aspiration
Curettage or Hysterotomy | 381 |
| (9) | False Labor | 382 |
| (10) | Other Antepartum Conditions | 383-384 |

O. [Reserved for future use]

P. Blood and Immunity Disorders

- | | | |
|-----|---|----------|
| (1) | Treated with Surgical Procedure
of the Blood and Blood Forming
Organs | 392-394 |
| (2) | [Reserved for future use] | |
| (3) | Red Blood Cell Disorders,
Age >17 | 395 |
| (4) | Red Blood Cell Disorders,
Age 0-17 | 396 |
| (5) | Coagulation Disorders | 397 |
| (6) | Reticuloendothelial and Immunity
Disorders | 398, 399 |

Q. Myeloproliferative Diseases and Disorders,
Poorly Differentiated Malignancy and
Other Neoplasms Not Elsewhere Classified

- | | | |
|-----|--|-----|
| (1) | [Reserved for future use] | |
| (2) | Treated with Chemotherapy with
Acute Leukemia as Secondary
Diagnosis | 492 |

STATE: MINNESOTA

Effective: January 1, 2000

TN: 00-04

Approved: April 6, 2000

Supersedes: 99-23 (99-05/98-37/97-42/97-19/97-15/97-03/95-20/95-04/94-18/94-08/93-39/
93-33/92-44/92-31/91-17/90-25)

ATTACHMENT 4.19-A

Inpatient Hospital

Page 10

-
- (3) [Reserved for future use]
 - (4) Treated with Radiotherapy or
Chemotherapy without Acute Leukemia 409, 410
 - (5) [Reserved for future use]
 - (6) Surgical Treatments for Myelopro-
liferative Diseases and Disorders 400-402, 406-408
 - (7) Other Nonsurgical Treatments for
Myeloproliferative Diseases
and Disorders 403-405, 411-414,
473

R. Infections and Parasitic Diseases

- (1) Treated with Surgical Procedure 415
- (2) [Reserved for future use]
- (3) Septicemia, Age > 17 416
- (4) Septicemia, Age 0-17 417
- (5) Viral Illness, Age > 17 421
- (6) Viral Illness and Fever of
Unknown Origin, Age 0-17 422
- (7) Other Infections and Parasitic
Diseases 418-420, 423

S. Mental Diseases and Disorders

- (1) Treated with Surgical
Procedure (Age 0+) 424
- (2) (Age 0-17) 425, 427-429, 432
- (3) (Age > 17) 425, 427-429, 432

T. Substance Use and Substance Induced Organic Mental Disorder

- (1) (Age 0-20) 434, 435
- (2) (Age > 20) 434, 435

U. [Reserved for future use]

V. Toxic Effects of Drugs

- (1) Treated with Surgical Procedure 439-443
- (2) [Reserved for future use]
- (3) Traumatic Injury 444-446
- (4) Allergic Reactions 447-448
- (5) Poisoning and Toxic Effects of
Drugs, Age > 17 with CC 449